Government of the District of Columbia
Office of the Chief Financial Officer
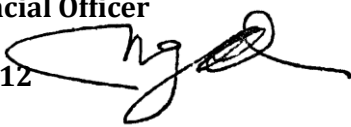
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Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Kwame R. Brown** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**April 2, 2012**
SUBJECT:	**Fiscal Impact Statement – "Carver 2000 Low-Income and Senior Housing Project Amendment Act of 2011"**
REFERENCE:	**Bill 19-437, Draft Committee Print, shared with the Office of Revenue Analysis on March 29, 2012**

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Conclusion

Funds are not sufficient in the FY 2012 budget and the proposed FY 2013 through FY 2016 budget and financial plan to implement the bill. Assuming it is effective October 1, 2012, the bill reduces real property tax collections by approximately $494,718 in FY 2013 and approximately $1.2 million over the FY 2013 through FY 2016 financial plan period.

Background

The bill extends the time limit of the real property exemption for Lots 806 through 808 in Square 5190, Lots 1 though 8 in Square 5348, and Lot 88 in Square 5140. These real properties are part of the project known as the Carver Low-Income and Senior Housing Project ("Project").

The aforementioned lots were exempt from taxation for eight years beginning with tax year 2003.[1] However, the exemption expired at the end of tax year 2010 and all the properties are now subject to the District's real property tax. The proposed legislation would extend the exemption from 8 to 16 years. Thus the tax exemption for these properties would continue through the end of tax year 2018.

The properties in Squares 5190 and 5348 are currently vacant; however, they will be redeveloped into affordable housing when the Project's financing is secured. Project construction is expected to

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[1] D.C. Official Code § 47-4605.

The Honorable Kwame R. Brown
FIS: B19-437, "Carver 2000 Low-Income and Senior Housing Project Amendment Act of 2011," Draft
Committee Print shared with the Office of Revenue Analysis on March 28, 2012.

begin in 2014 and be completed approximately two years later. The property in Square 5140 contains 94-unit affordable residential building.

Financial Plan Impact

Funds are not sufficient in the FY 2012 budget and the proposed FY 2013 through FY 2016 budget and financial plan to implement the bill. Extending the real property tax exemption for the Project from 8 to 16 years would reduce real property tax collections by approximately $494,718 in FY 2013 and approximately $1.2 million over the proposed FY 2013 through FY 2016 financial plan period.

Estimated Fiscal Impact of B19-437, Carver 2000 Low-Income and Senior Housing Project Amendment Act of 2011, FY 2013 - FY 2016					
	FY 2013	**FY 2014**	**FY 2015**	**FY 2016**	**4-Year Total**
Tax Year 2011 & 2012 Liability [1,2]	$348,206	-	-	-	$348,206
Estimated Tax Liability [3,4]	$146,512	$150,907	$154,830	$379,856	$832,105
Total Negative Fiscal Impact	**$494,718**	**$150,907**	**$154,830**	**$379,856**	**$1,180,311**

[1]Includes penalties and interest owed for Tax Year 2011

[2]Assumes the legislation is effective in FY 2013 and a refund is issued in FY 2013 for taxes owed in FY 2011 & FY 2012

[3] Growth in FY 2014 and FY 2015 assessed values are based on projections for property tax values.

[4] This estimate assumes the development project in Square 5190 and 5348 are completed in FY 2016, and takes into account the impact of the planned development on the future value of these properties.

Finally, because the tax exemption would not expire until the end of tax year 2018, it would continue to have a fiscal impact beyond the four-year financial plan period. The proposed legislation is expected to reduce the property tax collections by an additional $789,598 in FY 2017 and FY 2018, bringing the total negative impact to approximately $2 million. See table below.

Estimated Annual Reductions in Property Tax Collections, FY 2016 through FY 2025	
	Value of Tax Exemption
FY 2017	$389,732
FY 2018	$399,865
Total	**$789,598**